

C
stock

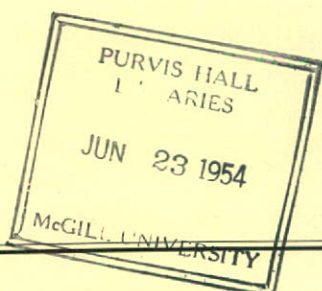
Kerr-Addison Gold Mines Limited

(No Personal Liability)

Third Annual Report

For the Year Ending

December 31st, 1938



Kerr-Addison Gold Mines Limited

(No Personal Liability)



OFFICERS

President
G. B. WEBSTER

Vice-President
J. H. COLVILLE

Secretary-Treasurer
G. A. CAVIN

DIRECTORS

A. H. COCKERAM
J. H. COLVILLE

F. M. CONNELL
A. DORFMAN
G. B. WEBSTER

H. S. MUNROE
J. H. C. WAITE

Consulting Engineers

M. F. FAIRLIE W. H. EMENS

Manager
W. S. ROW

Head Office: 38 King St. West, Toronto, Ont.

Mine Office: Larder Lake, Ont.

TRANSFER AGENTS AND REGISTRARS

CHARTERED TRUST & EXECUTOR COMPANY
34 King St. West, Toronto, Ont.

AUDITORS

FRED PAGE HIGGINS & COMPANY
Toronto, Ont.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

Directors' Report

To the Shareholders,
Kerr-Addison Gold Mines, Limited.
(No Personal Liability)

Your Directors submit herewith, for your consideration, their Third Annual Report on the affairs of your Company, together with the Balance Sheet as at 31st December, 1938, Statement of Operations for the year, and your Auditors' report thereon. Also appended is the report of your Manager on the operations for the year.

As will be noted in the Balance Sheet, your Company commenced milling operations with a bank loan of \$225,000.00, which has been liquidated out of earnings.

Milling operations were commenced on the 2nd May, 1938 and 148,642 tons of ore were milled from that date to the 31st December, for a recovery of \$985,641.33 or \$6.63 per ton of ore milled.

Your Directors wish to draw your attention to the large increase in ore reserves from 1,084,205 tons to 1,727,637 tons, estimated to be of an average uncut grade of \$9.23, or an average cut grade of \$6.31, all lying above the 700-foot level. In addition, diamond drilling has indicated possible ore estimated at 844,622 tons, of an uncut grade of \$7.86, or a cut grade of \$6.25, exclusive of several oreshoots indicated by drilling, on which sufficient work has not yet been done to compute the tonnage.

In view of the substantial increase in ore reserves, your Directors are considering an increase in mill capacity, the extent of which will be announced in the near future.

During February, 1939, sinking of No. 3 shaft was resumed. It will be carried to a depth of 1,500 feet. New levels will be established at 150-foot intervals, commencing at 850 feet. The crusher station will be installed at the 1,300-foot horizon.

During the year your Company acquired 41.7 acres of adjoining ground for which it paid 10,900 shares of its capital stock. In addition, there was also acquired, for a cash consideration, 79.3 acres estimated to contain over one million cubic yards of gravel to be used for fill at the mine.

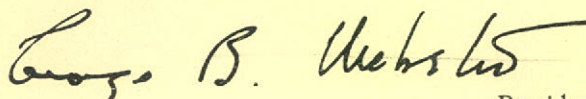
During the year an action for a considerable sum of money was instituted in the Supreme Court of Ontario, against your Company. This was subsequently dismissed, with costs payable by the Plaintiff.

Virginiatown now has a population of over 400. There was expended during the year, on its development, approximately \$85,000.00 in roads, water works, sewage system and other improvements. Three hundred and one lots were laid out, of which number 72 were set aside for sale to employees at a low price. Of these, 44 have been sold, and 33 houses have been built upon them to date. In all, 132 lots have been sold for \$68,050.00, of which \$61,763.24 has now been paid. Buildings valued at \$180,000.00 have been erected. This townsite is operated by your Company's wholly-owned subsidiary, Kerr-Addison Properties Limited.

Your Directors wish to express their appreciation of the services rendered by your Manager and his staff.

On behalf of the Board,

Toronto, Ontario,
February 28th, 1939.



President.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

BALANCE SHEET

As at December 31, 1938

ASSETS

Mining Claims at Cost:

Sixteen Crown Patented Claims and Twelve Unpatented Claims situated in the Township of McGarry, District of Temiskaming, Province of Ontario, acquired at a consideration given therefor of \$40,461.00 in cash and 1,300,000 shares of the capital stock of the company issued as fully paid and non-assessable and carried on the company's books at a value of \$1,340,461.00

Less: Received in shares of Kerr-Addison Properties Limited for certain surface rights 99,300.00 \$1,241,161.00

Buildings, Plant and Equipment \$1,148,317.04

Less: Reserve for Depreciation 114,831.70 1,033,485.34

Deferred Charges:

Pre-Production and Deferred Development Expenditure \$ 744,327.23

Less: Proportion written off 74,432.72

\$ 669,894.51

Mining Supplies and Materials, book value 50,117.38

Insurance Premiums, etc. 5,835.68 725,847.57

Investments:

\$25,000.00 3% Canadian National Railway bonds due February 1, 1952, deposited with the Ontario Hydro-Electric Commission, (market value \$24,750.00) cost \$ 24,031.25

993 shares of Kerr-Addison Properties Limited 99,300.00 123,331.25

Advances to Kerr-Addison Properties Limited secured by notes 41,500.00

Current Assets:

Cash on Hand and in Bank \$ 44,557.98

Bullion on Hand and in Transit 69,608.22

Accounts Receivable 1,040.46 115,206.66

\$3,280,531.82

Kerr-Addison Gold Mines Limited

(No Personal Liability)

BALANCE SHEET As at December 31, 1938

LIABILITIES

Accounts Payable and Accrued Charges	\$ 115,365.79	
Reserve for Workmen's Compensation and Silicosis Assessments	9,572.79	
Reserve for Taxes	6,500.00	\$ 131,438.58

Capital:

Capital Stock:

Authorized—

5,000,000 shares of \$1.00 each \$5,000,000.00

Issued and fully paid—

4,729,401 shares of \$1.00 each \$4,729,401.00

Less: Discount on shares sold 1,798,378.80

\$2,931,022.20

Profit and Loss Account as per statement attached 218,071.04 3,149,093.24

\$3,280,531.82

CERTIFICATE

We hereby certify that the above Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the company's affairs, according to the best of our information and the explanations given to us and as shown by its books. We further certify that all our requirements as auditors have been complied with.

FRED PAGE HIGGINS & COMPANY,
Chartered Accountants.

Toronto, February 27th, 1939.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

PROFIT AND LOSS ACCOUNT

As at December 31, 1938

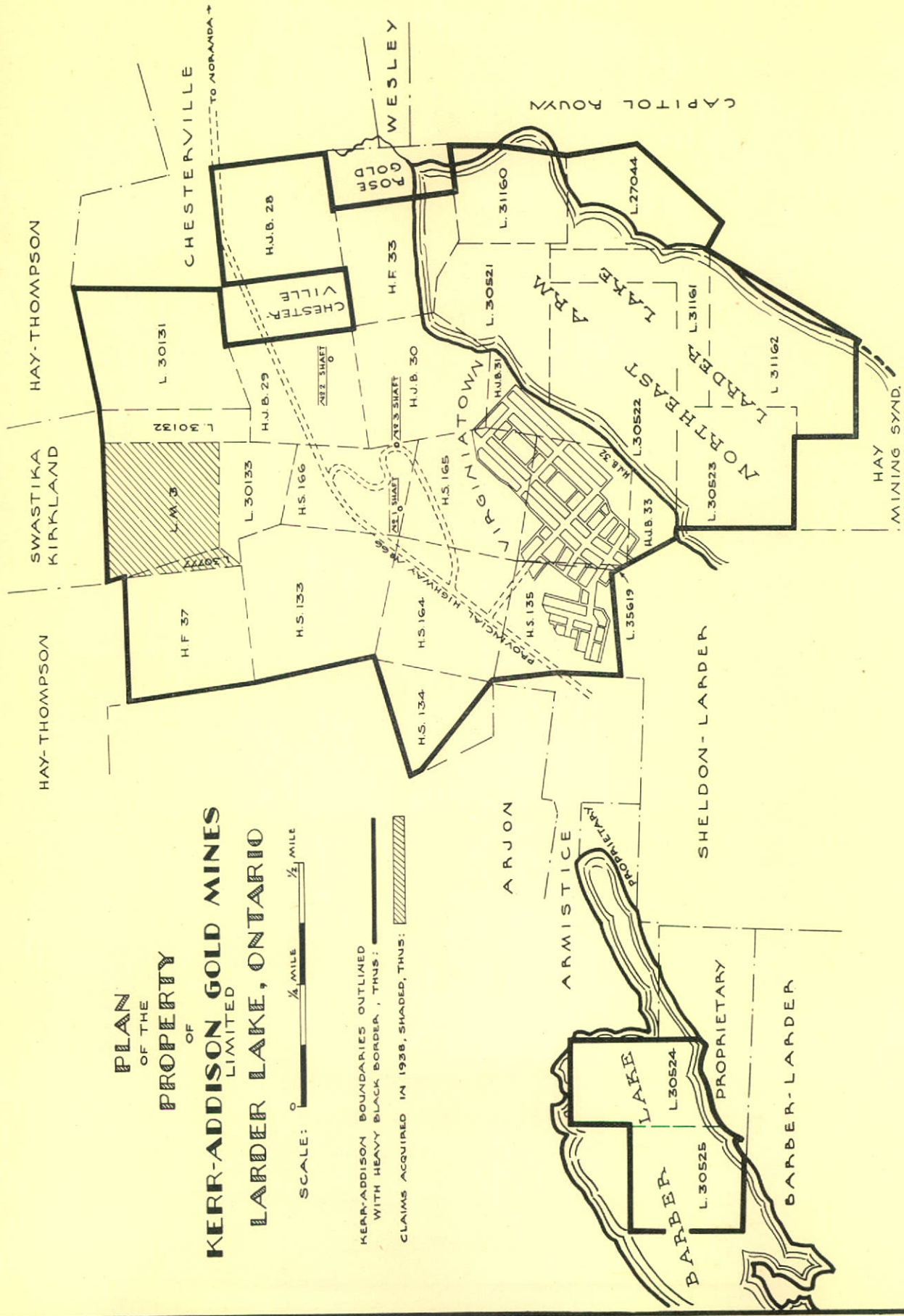
Net Operating Profit brought forward		*\$ 223,673.86
Miscellaneous Income:		
Interest Earned	\$ 1,995.53	
Rentals Received	1,195.00	
Cookery	257.65	
Realization of Bonds	29.75	3,477.93
Net Earnings before provision for taxes		\$ 227,151.79
Provision for Provincial Taxes		6,500.00
Net Earnings for the period		\$ 220,651.79
Cost of Incorporation		2,580.75
Balance at Credit, December 31, 1938		\$ 218,071.04

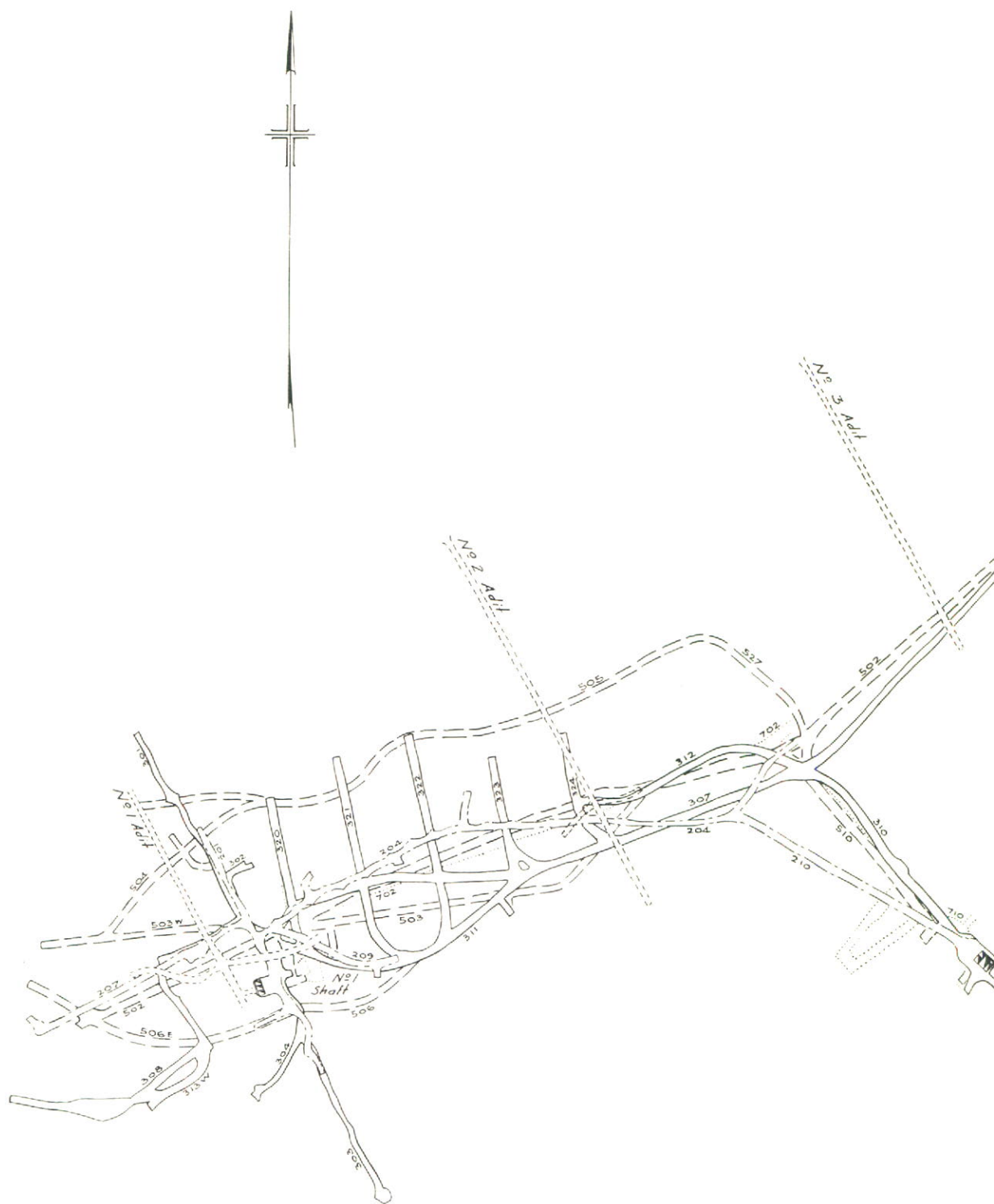
* See Manager's Report for Operating Statement.

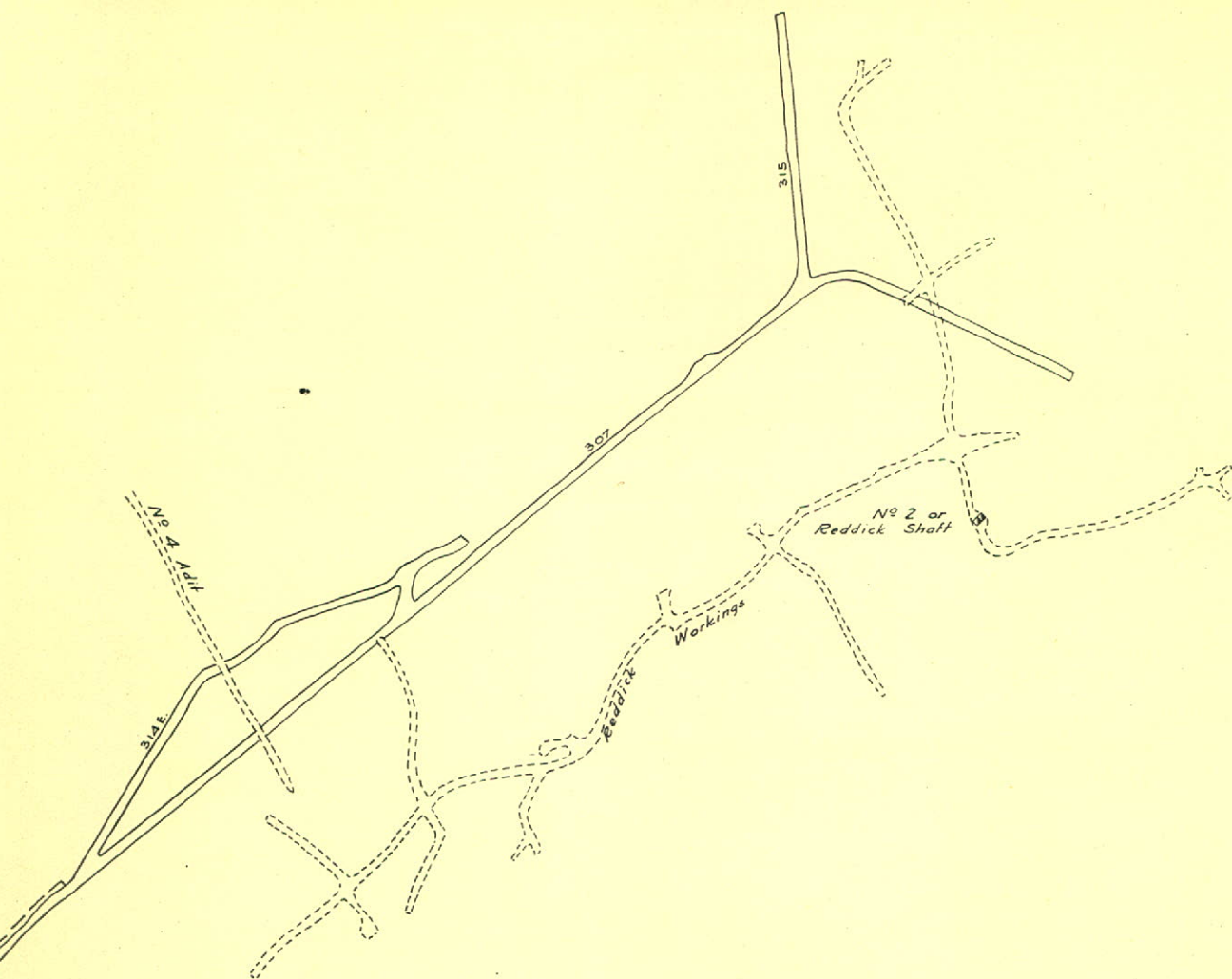
PLAN
OF THE
PROPERTY
OF
**KERR-ADDISON GOLD MINES
LIMITED**
LARDER LAKE, ONTARIO

SCALE: 0 $\frac{1}{4}$ MILE $\frac{1}{2}$ MILE

KERR-ADDISON BOUNDARIES OUTLINED
WITH HEAVY BLACK BORDER, THUS:
CLAIMS ACQUIRED IN 1938, SHADED, THUS:







KERR-ADDISON GOLD MINES
LIMITED

PLAN
SHOWING
UNDERGROUND WORKINGS
AS AT DECEMBER 31, 1938

3 Shaft

SCALE: 0 FT. 100 FT. 200 FT.

LEGEND

60 FOOT (ADIT) LEVEL	}	-----
90 FOOT (REDDICK) LEVEL		-----
175 FOOT LEVEL		
300 FOOT "		=====
500 FOOT "		=====
700 FOOT "		=====

Kerr-Addison Gold Mines Limited

(No Personal Liability)

Manager's Report

The President and Directors,
Kerr-Addison Gold Mines Limited,
Toronto, Ontario.

Dear Sirs:

The following report covering the development and operation of your mine during the year ended December 31st, 1938, is submitted for your consideration.

Mine:

Underground work, during the first four months of the year, was concentrated on stope preparation and development work immediately essential to production. No. 3 shaft was completed; a loading pocket was installed below the 700 foot level; a jaw crusher was installed below the 500 foot level and ore passes were completed from the loading pocket through to the 300 foot level. Hoisting of ore to the Crushing Plant was started on May 1st. During the year 234,603 tons of ore was broken exclusive of development rock and at the end of the year a reserve of 121,392 tons of broken ore had accumulated in the stopes.

During the summer months a series of short diamond drill holes was put down from surface to probe various sections of the Reddick area above the 300 foot level. Later in the year a series of deeper holes was put down testing the same area to the 850 foot horizon. The combined result of diamond drilling from surface and underground and of mine development work is that proven ore reserves are greatly increased and that further large tonnages of ore are indicated.

ORE RESERVES AS AT DECEMBER 31st, 1938

	Tons Ore	Value per Ton		Total Value	
		Uncut	Cut	Uncut	Cut
Surface to 60 ft. level	101,490	\$ 8.08	\$ 6.77	\$ 820,161	\$ 687,105
60 ft. level to 175 ft. level	244,116	8.09	6.53	1,974,386	1,593,024
175 ft. level to 300 ft. level	243,956	8.60	5.93	2,097,459	1,446,354
300 ft. level to 500 ft. level	605,875	11.25	7.00	6,814,183	4,239,205
500 ft. level to 700 ft. level	253,750	13.77	8.68	3,493,469	2,201,699
Total Unbroken Ore	1,449,187	10.49	7.02	15,199,658	10,167,387
Broken Ore Reserves	121,392	6.09	6.09	738,726	738,726
Total	1,570,579	10.15	6.94	15,938,384	10,906,113
Total after adding 10% for Dilution	1,727,637	9.23	6.31	15,938,384	10,906,113

Apart from the foregoing ore reserves diamond drilling has indicated ore to the extent of 844,622 tons having an indicated grade of \$7.86 uncut or \$6.25 cut. The development schedule for 1939 is planned to open up this ore.

Following the start of production, lateral development work was scheduled, to open the known ore bodies on the 500 ft. level and to develop the Reddick area east of the main ore body on the 300 ft. level.

DEVELOPMENT SUMMARY FOR YEAR 1938

MINING

	Shaft Sinking Feet	Drifts Feet	Cross Cuts Feet	Raises Feet	Box Holes Feet	Sub- Drifts Feet	Slashing C.F.	Station Cutting C.F.	Shaft Sink'g	Totals (Lin. ft.) Develop- ment	Diamond Drilling	Drift Backs	Tonnage Sills	Broken Stopes	Total
Surface											11,310' 6"				
No. 3 Shaft	36.6								36.6						
175 ft. Level		10.7	266.2	385.7			1,305	2,998		662.6	3,180' 2"				
300 ft. Level		1,790.7	563.0	945.4	729.3	414.0	42,479	460		4,442.4	6,254' 2"	280	22,429	203,818	226,527
500 ft. Level		2,384.8	145.2	635.8	171.2	30.8	14,115			3,367.8	2,767' 10"	5,503	2,573		8,076
700 ft. level				179.6			2,459	3,758		179.6	9,306' 7"				
300 Charging St.			18.3							18.3					
500 Crusher Sta.								16,240							
700 Sump & Pump Sta.		178.3						5,131		178.3					
700 Loading Pock.				23.0			292			23.0					
Totals	36.6	4,364.5	992.7	2,169.5	900.5	444.8	60,650	28,587	36.6	8,872.0	32,819' 3"	5,783	25,002	203,818	234,603

Construction:

Erection of the steel frames of the No. 3 Shaft Headframe, Shaft House, Crushing House, Screen House, Conveyor-ways and mill was started on January 13th and was completed on March 11th. During the same period a double drum electric hoist was installed for service at No. 3 Shaft. By May 1st the installation of essential equipment had been completed and hoisting and crushing of ore began on that date. On May 2nd the 500 ton cyanide mill was started and has been in continuous operation since.

Production:

In May during the tuning up period, the mill was fed somewhat less than 500 tons of ore daily. Since that time tonnage milled has been increased to and standardized at approximately 20,000 tons per month.

SUMMARY OF PRODUCTION MAY 2nd—DECEMBER 31st, 1938

Tons Milled	148,642
Average Tons Milled per day	609.2
Average Mill Head Value (from Belt Samples Au. \$35.00 per oz.)	\$7.32
Total Value Recovered	\$985,641.23
Average Recovery per ton	\$6.631
Average Tailing Loss per ton	\$0.434

Cost Summary

These costs are direct operating costs for the production period May 1st to December 31st, 1938.

Tons Milled—148,642.

	Total	Per Ton
Diamond Drilling	\$ 39,785.17	\$ 0.268
Development	94,247.91	.634
Stope Development	50,859.95	.342
Mining	155,465.22	1.046
Hoisting	25,782.38	.173
Crushing and Conveying	28,353.73	.191
Milling	115,151.43	.775
General Expenses	23,717.21	.159
Bullion Marketing Expense	13,326.71	.090
Head Office	26,013.24	.175
Total	\$ 572,702.95	\$ 3.853
Depreciation	114,831.70	.772
Deferred Development	74,432.72	.501
Total	\$ 761,967.37	\$ 5.126
Total Production	\$ 985,641.23	\$ 6.631
Operating Profit before provision for		
Depreciation and Deferred Development	412,938.28	2.778
Net Operating Profit, before provision for taxes	223,673.86	1.505

General

During the last quarter of the year, new ore developments and ore indications were encouraging enough to warrant a more rapid development campaign. In 1939 approximately $2\frac{1}{2}$ miles of lateral development work will be done on the existing four levels. No. 3 Shaft will be deepened 750 ft. and five new levels established at 150 ft. intervals. A second jaw crusher will be placed at the 1,300 ft. level and a second loading pocket at 1,500 ft. depth. The accomplishment of this program of development will result in increased costs for a few months and will place the mine in splendid physical condition ready to produce a much increased daily tonnage of ore when required.

It is with pleasure that I again thank the members of the Staff for their loyalty and co-operation. I also wish to express my appreciation to the Officers and Directors and to the Consulting Engineers for their co-operation and advice during the year.

Respectfully submitted,

W. S. ROW,
Manager.

February 28th, 1939.



General View of Surface Plant, Kerr-Addison Gold Mines Limited.

